Zhenro Properties Group Limited
正榮地產集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6158)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS AND OPERATIONAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2020 was RMB14,542 million, representing an increase of 6.5% as compared to the six months ended 30 June 2019.
- Profit for the six months ended 30 June 2020 was RMB1,275 million, representing an increase of 8.1% as compared to the six months ended 30 June 2019.
- Core profit[(1)] for the six months ended 30 June 2020 was RMB1,243 million, representing an increase of 8.3% as compared to the six months ended 30 June 2019.
- As at 30 June 2020, net debt to total equity ratio was 71.4%, short term debt to total debt ratio was 30.0% and cash on hand was RMB39,810 million.
- Contracted sales for the six months ended 30 June 2020 was RMB55,993 million, representing a decrease of 4.5% as compared to the six months ended 30 June 2019 and completion of 40% of full year contracted sales target.
- During the first half of 2020, the Group has acquired 19 parcels of land with an aggregated estimated GFA of 3.02 million sq.m. and an attributable ratio of 73%. As at 30 June 2020, the Group had a total land bank with GFA of 27.40 million sq.m.

Notes:

(1) Defined as net profit excludes changes in fair values of investment properties and financial assets, exchange gain or loss and the relevant deferred taxes.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Zhenro Properties Group Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020 (the "**Period**") together with the comparative figures for the preceding financial year as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
REVENUE	*5*	**14,542,163**	13,648,419
Cost of sales		**(11,587,983)**	(10,874,726)
Gross profit		**2,954,180**	2,773,693
Other income and gains	*5*	**365,683**	156,718
Selling and distribution expenses		**(454,692)**	(354,815)
Administrative expenses		**(543,195)**	(523,641)
Impairment losses of financial assets, net		**(849)**	(158)
Other expenses		**(71,711)**	(9,855)
Fair value gains on investment properties		**79,617**	123,248
Net gain or loss from financial assets at fair value through profit or loss		**(5,565)**	(64,320)
Finance costs	*6*	**(307,086)**	(207,650)
Share of profits and losses of:			
Joint ventures		**74,242**	135,451
Associates		**292,156**	(64,130)
PROFIT BEFORE TAX	*7*	**2,382,780**	1,964,541
Income tax expense	*8*	**(1,108,253)**	(785,307)
PROFIT FOR THE PERIOD		**1,274,527**	1,179,234
Attributable to:			
Owners of the parent		**875,845**	933,434
Non-controlling interests		**398,682**	245,800
		1,274,527	1,179,234
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	*10*	**RMB0.20**	RMB0.23

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020 ***RMB'000*** ***(Unaudited)***	2019 *RMB'000* *(Unaudited)*
PROFIT FOR THE PERIOD	**1,274,527**	1,179,234
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(46,357)**	30,303
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(46,357)**	30,303
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(46,357)**	30,303
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,228,170**	1,209,537
Attributable to:		
Owners of the parent	**829,488**	963,737
Non-controlling interests	**398,682**	245,800
	1,228,170	1,209,537

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**558,763**	579,770
Investment properties		**9,882,200**	9,377,800
Right-of-use assets		**345,966**	390,518
Other intangible assets		**6,438**	6,843
Prepayments, other receivables and other assets		**–**	120,120
Investments in joint ventures		**2,587,940**	2,341,631
Investments in associates		**4,534,223**	3,199,926
Deferred tax assets		**1,697,513**	1,684,744
Total non-current assets		**19,613,043**	17,701,352
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**1,021,402**	773,896
Properties under development		**96,017,552**	86,379,442
Completed properties held for sale		**9,256,416**	7,626,154
Trade receivables	*11*	**75,386**	66,293
Due from related companies		**6,534,981**	6,696,104
Prepayments, other receivables and other assets		**18,782,578**	13,533,906
Tax recoverable		**1,285,231**	1,135,255
Restricted cash		**5,806,495**	5,137,032
Pledged deposits		**422,626**	1,801,205
Cash and cash equivalents		**33,581,358**	28,368,571
Total current assets		**172,784,025**	151,517,858
CURRENT LIABILITIES			
Trade and bills payables	*12*	**18,835,036**	16,752,615
Other payables and accruals		**17,166,447**	10,571,875
Contract liabilities		**46,513,856**	38,797,781
Due to related companies		**7,002,757**	7,386,244
Interest-bearing bank loans and other borrowings		**11,939,046**	14,534,136
Senior notes		**4,673,713**	3,482,134
Corporate bonds		**2,449,787**	2,024,173
Lease liabilities		**53,305**	68,171
Tax payable		**3,398,744**	2,828,821
Total current liabilities		**112,032,691**	96,445,950
NET CURRENT ASSETS		**60,751,334**	55,071,908
TOTAL ASSETS LESS CURRENT LIABILITIES		**80,364,377**	72,773,260

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)
As at 30 June 2020

	Notes	**30 June 2020** *RMB'000* *(Unaudited)*	31 December 2019 *RMB'000* *(Audited)*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**26,144,250**	21,782,986
Other payables and accruals		**1,888,255**	2,321,843
Senior notes		**16,112,300**	13,360,910
Corporate bonds		**2,234,121**	3,481,130
Lease liabilities		**41,219**	63,477
Deferred tax liabilities		**708,601**	702,925
Total non-current liabilities		**47,128,746**	41,713,271
Net assets		**33,235,631**	31,059,989
EQUITY			
Equity attributable to owners of the parent			
Share capital		**282**	282
Reserves		**16,799,090**	16,396,245
		16,799,372	16,396,527
Non-controlling interests			
Perpetual capital securities		**1,427,093**	1,439,510
Other non-controlling interests		**15,009,166**	13,223,952
		16,436,259	14,663,462
Total equity		**33,235,631**	31,059,989

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 January 2018.

The Company is an investment holding company. During the six months ended 30 June 2020, the Group is principally engaged in property development, property leasing and commercial property management.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised standards for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there were no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. The reduction in the lease payments arising from the rent concessions accounted for as a variable lease payment by derecognizing part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020 was insignificant.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development and leasing and commercial property management by project locations for the purpose of making decisions about resource allocation and performance assessment, while no single location's revenue, net profit or total assets exceeds 10% of the Group's combined revenue, net profit or total assets. As all the locations have similar economic characteristics and are similar in the nature of property development and leasing and management, the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the properties or provide the services, and thus all locations were aggregated as one reportable operating segment.

Geographical information

No further geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue during the six months ended 30 June 2020 and 2019.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income and gains is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue		
Revenue from contracts with customers	**14,486,261**	13,592,434
Revenue from other sources		
Gross rental income from investment property operating leases:		
Lease payments, including fixed payments	**55,902**	55,985
	14,542,163	13,648,419

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Types of goods or services		
Sale of properties	**14,299,944**	13,533,564
Property management services	**41,521**	41,418
Management consulting services	**144,796**	17,452
Total revenue from contracts with customers	**14,486,261**	13,592,434
Timing of revenue recognition		
Properties transferred at a point in time	**14,299,944**	13,533,564
Services transferred over time	**186,317**	58,870
	14,486,261	13,592,434

5. **REVENUE, OTHER INCOME AND GAINS (Continued)**

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Other income		
Interest income	**317,858**	134,419
Others	**3,342**	3,679
	321,200	138,098
Gains		
Forfeiture of deposits	**10,250**	7,596
Government grants	**7,172**	6,527
Exchange gain	**–**	3,070
Gain on disposal of subsidiaries	**12,737**	1,388
Gain on disposal of items of property, plant and equipment	**3,024**	39
Gain on bargain purchase	**11,300**	–
	44,483	18,620
	365,683	156,718

6. **FINANCE COSTS**

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest on bank loans and other borrowings, corporate bonds, senior notes and proceeds from asset-backed securities	**2,813,832**	1,908,932
Interest expense arising from revenue contracts	**581,653**	646,980
Interest on lease liabilities	**2,593**	3,148
Total interest expense on financial liabilities not at fair value through profit or loss	**3,398,078**	2,559,060
Less: Interest capitalised	**(3,090,992)**	(2,351,410)
	307,086	207,650

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	**11,431,698**	10,908,707
Impairment losses written off for completed properties held for sale (Note)	**(560)**	(124,022)
Impairment losses recognised for properties under development and completed properties held for sale	**91,545**	61,883
Impairment losses of financial assets, net	**1,364**	158
Depreciation of items of property, plant and equipment	**24,766**	27,688
Depreciation of right-of-use assets	**23,719**	29,936
Amortisation of other intangible assets	**863**	2,765
Gains and losses on disposal of items of property, plant and equipment, net	**32**	(10)
Gain on disposal of subsidiaries	**12,737**	1,388
Auditors' remuneration	**2,200**	2,400
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**301,253**	284,994
Pension scheme contributions and social welfare	**29,828**	44,075

Note: They are included in cost of sales in the interim condensed consolidated statement of profit or loss.

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income currently arising in Hong Kong for the six months ended 30 June 2020 and 2019.

Subsidiaries of the Group operating in Mainland China are subject to the People's Republic of China ("PRC") corporate income tax at a rate of 25%.

Land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
Corporate income tax	**638,017**	721,078
LAT	**568,292**	360,296
Deferred tax	**(98,056)**	(296,067)
Total tax charge for the period	**1,108,253**	785,307

9. DIVIDENDS

The proposed 2019 final dividend of HK$0.1 (equivalent to approximately RMB9.00 cents) per share, totalling HK$436,776,000 (equivalent to approximately RMB396,763,000), was approved by the Company's shareholders at the annual general meeting on 8 June 2020. It was recorded in "other payables and accruals" in the interim condensed consolidated statement of financial position and was subsequently distributed in July 2020.

The Board has resolved not to pay an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB872,479,000 (six months ended 30 June 2019: RMB933,434,000), and the weighted average number of ordinary shares of 4,367,756,000 (six months ended 30 June 2019: 4,123,000,000) shares in issue during the period.

11. TRADE RECEIVABLES

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Less than 1 year	**40,337**	57,772
Over 1 year	**35,049**	8,521
	75,386	66,293

12. TRADE AND BILLS PAYABLES

An aging analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Less than 1 year	**18,608,864**	16,494,363
Over 1 year	**226,172**	258,252
	18,835,036	16,752,615

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present to you the interim results of the Group for the six months ended 30 June 2020 (the "**Period**").

RESULTS

For the six months ended 30 June 2020, revenue increased by 6.5% year-on-year to RMB14,542 million; profit rose by 8.1% year-on-year to RMB1,275 million; core profit grew by 8.3% year-on-year to RMB1,243 million; profit attributable to owners of the parent decreased by 6.2% year-on-year to RMB876 million. The Board has resolved not to distribute interim dividends for the Period.

BUSINESS REVIEW

Year 2020 marks a critical moment for the Group's "New Three-year Strategy". Since the beginning of the year, the government in the PRC has reiterated the principles that "houses are for living in, not for speculation and implementation of city-specific policies". This has reflected the government's determination to regulate the real estate sector and the continuity of its policies. The 3rd Session of the 13th Chinese People's Political Consultative Conference National Committee and the 13th National People's Congress held in May 2020 proposed for the first time that "no economic growth target be set". They also proposed pressing ahead with the national strategies for regional development, including those for the coordinated development of Beijing, Tianjin and Hebei, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the integrated development of the Yangtze River Delta Region and the development of the Chengdu-Chongqing Economic Circles. The Group's strategy for in-depth, long term development in six key regions is well aligned with these state policies, which implies more opportunities for the Group's development in the future. It is against this backdrop of the national and provincial governments' advocacy of healthy and stable development of the property market in the PRC that the consolidation of the real estate sector will accelerate. The Group will actively adjust its strategies to this trend so as to grasp opportunities for development.

Innovative Targeted Marketing in Response to the COVID-19 Pandemic

Since January 2020, novel coronavirus (COVID-19) ("**COVID-19**") pandemic has spread rapidly across the PRC and other parts of the world, posing severe challenges to the global economy. The real estate sector of the PRC was also affected by the external environment as property developers' sales offices and construction of projects in various places were suspended temporarily. To cope with the situation, the Group established a "Pofeng Action (破風行動)" team which was responsible for the smooth resumption of construction projects, punctual supply of units and minimization of the risks associated with units delivery. "Pofeng Action" has made good progress, attaining the project resumption rate of 100% within 45 days of the shutdowns. Most of the Group's resumed projects were among the first batch of projects approved for resumption of construction in the same region, thus minimizing the impact of the COVID-19 pandemic. In addition, the Group dynamically adjusted its business strategies. For instance, the Group quickly carried out online-to-offline marketing, including the launch of an online sales app of "Zhenro Home (正榮置家)" to provide a new experience of virtual reality online tour of residential units; and the Group also launched a series of innovative and targeted online live marketing activities to draw more attention in the market. These measures have thus led to a continued recovery in sales since March 2020. In addition, the PRC central bank has cut the reserve requirement ratio three times and the loan prime rate two times, providing relatively abundant liquidity and reducing the housing mortgage rate. All these are beneficial to the real estate market and has boosted the overall sales of properties. In the first half of the year, the Group recorded aggregated contracted sales of RMB55.993 billion, which was equivalent to 40% of the annual contracted sales target of RMB140 billion. The aggregated contracted gross floor area ("**GFA**") sold by was 3.65 million sq.m., with the average selling price ("**ASP**") of RMB15,321 per sq.m.

Regional Penetration with Equal Emphasis on Quality and Equity Interests of Investment

In the first half of the year, the Group acquired 19 parcels of land with total estimated GFA of 3.02 million sq.m. in 12 cities. The Group pursues the strategy of "regional penetration" by expanding its business presence in the metropolis and their surrounding areas. Of the Group's newly acquired land bank, 52% and 26% are located respectively in the Yangtze River Delta region and the Western Taiwan Straits region, which are two core areas where the Group has considerable advantages. The remainder are located in central and western China regions, where the Group also has significant business presence. In terms of the tiers of cities, 65% of the Group's newly acquired land bank is located in first- and second-tier cities with good economic fundamentals, including Shanghai, Nanjing, Suzhou, Xuzhou and Wuxi in the Yangtze River Delta region; Fuzhou and Nanchang in the Western Taiwan Straits region; and Zhengzhou and Chengdu in central and western China regions. The acquisition of such lands paves the way for further expansion of the Group's market share in the core property markets and lays a foundation for its sustainable and high-quality growth in the future. The Group has also made great effort to increase equity interests in property projects. In the first half of the year, the Group's overall equity interest in the newly acquired land bank increased to 73%. The higher equity interests in the acquired land will effectively increase the attributable sales to the Group's in the future.

As at 30 June 2020, the Group had a land bank with GFA of 27.4 million sq.m. in 32 cities in the PRC, 76% of the land bank is located in first- and second-tier cities. The Group's equity interest in the land bank as at 30 June 2020 increased to 58% from 55% as at the end of 2019. The average land cost was RMB4,919 per sq.m for the Period.

Improvement and Upgrade of Products, Enhancement of Operation Effectiveness and Efficiency

To cope with the fluctuations in the property market induced by the government's counter-cyclical measures under the principle that "houses are for living in, not for speculation", property developers have to enhance their core competitiveness by improving their products and increasing their operational efficiency. Such moves also lay a solid foundation for the Group's "high-quality growth". Having positioned itself as "Home Upgrade Master", the Group explores the possibilities of product innovation by taking factors such as natural environment, culture and health into account. It is committed to continuously improving and upgrading the properties to suit the various needs of customers in their daily life. During the Period, the Group launched the "Zhenro Oasis Community Plan (正榮綠洲社區計劃)" for building an ideal and modern community to live in. The plan is aimed at comprehensively upgrading the system of common spaces in communities, the system of access to home and the system of furnishings and appliances for a home by considering such dimensions as "Truth", "Arts", "Nurture" and "Return". The customer-oriented design of the systems is based on each of the four dimensions mentioned above and is geared towards the specific needs of customers and enhancement of the user experience. In the first half of the year, the Group continued to rank among the top industry players by scoring 90 points in the overall customer satisfaction according to an internal survey conducted by the Group. By improving the efficiency of the design and accelerating the standardization of products, the Group increased both the rate of project standardization and the rate of replication of furnished projects to 100% during the Period. The Group has been recognized by professional organizations in the industry for its high-quality products. In the first half of the year, the Group's projects won multiple awards in the "2019-2020 Aesthetics Vogue Awards" and "The 6th China Real Estate & Design Award". The Group's projects, Xi'an Zhenro Pinnacle won the title of "2020 New Landmarks in Hundred Cities of China", and Tianjin Jinmen Zhenro Mansion won an award in "A'Design Award & Competition".

Geared towards the "optimization of the headquarter, enhancement of regional companies, and fast turnover of projects", the Group continuously strives to improve its operational efficiency throughout the whole development cycle and to achieve sustainable, high-quality growth through the consolidation and extension of certain departmental functions, delegation of more authority to regional companies and the enhancement of correlation between the organizational performance and employee performance. The average period for a project to confirm its positioning after land acquisition is less than one month. The average initial sale period of a project is approximately seven months. The average sell-through rate at the initial sales exceeds 70%. The Group has not only improved its residential property development capability but also enhanced its commercial property operation capability, setting benchmarks in terms of performance indicators such as occupancy rate, rental collection rate, operating revenue and quality in the region of its operations.

Optimized Financial Structure and Decreased Financing Cost

Since the beginning of 2020, the COVID-19 pandemic and the uncertainties of the macro-economic environment have clouded the outlook for business. In response to the situation, the PRC government has adopted a relaxed policy on the financing of the real estate sector without giving too much stimulus. In the first half of the year, the Group still succeeded in raising funds despite the significant fluctuations in the global capital markets. It successfully seized several opportunities for financing, including being the first company to issue senior notes at the beginning of the recovery in the offshore bond market in May 2020 after a heavy shock to the global capital markets. It was also the first market-oriented senior notes issued by a PRC-based company in the aftermath of the COVID-19 pandemic. In the domestic market, the Group also continued to deepen its cooperation with various financial institutions in traditional financing, while appropriately reducing its reliance on higher-cost non-traditional financing channels, so as to optimize its debt structure.

In addition, due to its optimized debt structure, cash collection and cash flow management, the Group's major financial ratios and credit ratio were further improved. As of 30 June 2020, the Group's net debt-to-total equity ratio was 71.4%, which remained at the industry average level, and its cash-to-short term borrowing ratio was improved to approximately 2.1 times with the proportion of short-term debt to total borrowings fell to 30.0% as at 30 June 2020 from 34.2% as at end of 2019. In addition, the Group also recorded a decrease in the cost of its newly raised financing in both the domestic and offshore capital markets. As at the end of the Period, the weighted average financing cost of borrowings further decreased to 7.0%.

The Group has also been recognized by credit rating agencies for its prudent financial management and overall strength. In the first half of the year, Zhenro Property Holdings Company Limited, a wholly-owned subsidiary of the Company, was assigned "AAA" corporate credit rating (which is the highest rating) with a stable outlook respectively by China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) and Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司). Despite the increasingly complicated global situation, Moody's, Fitch Ratings and Standard & Poor's maintained the credit ratings of B1 (stable), B+ (stable) and B (positive) respectively for the Company.

Good Investor Relations and Recognized Intrinsic Value

The Company values two-way communication with investors and is committed to enhancing corporate transparency and establishing long-term relationships with investors. Subject to relevant listing rules and legal requirements, the Group has established various channels for systematic communication with its stakeholders to provide them with information on the results of its operations and its latest development regularly. In addition to the publication of financial reports, announcements and press releases through online channels, including the Stock Exchange, company website, e-mail and WeChat public account, the Group's management and investor relations team also actively organize and participate in various investor relations activities, including meetings, press conferences, roadshows, investment seminars, project site visits and media interviews, so as to maintain close communication with the market. In the first half of the year, the Group held several investor meetings in several countries and regions, including Hong Kong, Shanghai, Singapore and Europe. To adapt to the COVID-19 pandemic, the Group also actively maintains communication with investors through video conferencing and other communication technologies. For instance, the Group made a new attempt by organizing an online reverse roadshow, which was the first of its kind organized by a PRC property developer. It made use of virtual reality technology to conduct an online project visit for investors who were unable to travel due to the pandemic. During the Period, the Group participated in a total of more than 90 meetings with over 1,400 investors.

The Group's investment value has been recognized for its corporate image of prudence, good operating results and excellent brand value. In the capital markets, the Group has received equity and fixed-income research coverages and positive commentaries by various well-known domestic and overseas investment banks and securities firms, including Barclays, BNP Morningstar, CCB International, Haitong International, Huatai International, HSBC, J.P. Morgan, UBS AG, UOB Kay Hian, Northeast Securities, Soochow Securities, Southwest Securities and Guotai Junan.

In addition, the Group won several awards and honors in 2020, including No.1 ranking in "2020 China Real Estate Developers Top 5 by Business Performance", "2020 China Real Estate Developers Top 20 by Comprehensive Strength", "2020 China Mainland Top 10 Real Estate Company in Hong Kong by EVA", "2020 China Real Estate Developers Top 10 by Efficiency", "2019 Achievement Award for Talent Management Innovation in the Real Estate Industry" and "2019 QuamIR Awards".

OUTLOOK

Looking ahead to the second half of the year, the PRC government is expected to press on with the policy of "stabilizing the prices of land and housing while managing market expectations" under the principle that "houses are for living in, not for speculation". Meanwhile, its city-specific policies on the regulation of the property market will continue to play an important role in flexibly striking a balance between the housing prices on one hand and the new type of urbanization, the absorption of immigrants as talent and the comprehensive development of urban clusters on the other hand. There is limited room for relaxation on the financing channels of real estate enterprises in the foreseeable future but the real estate sector's role in stabilizing the overall economy cannot be downplayed, especially in light of the current downward pressure on the macro-economy. The reasonable needs of individuals and enterprises for capital will still be met. As the property sector takes its development to the next level, the industry players will increasingly enhance their core competitiveness by giving full play to their own strengths. To capitalize on the rapid consolidation of the industry and the more segmented market, the Group will seize opportunities for investment and improve both the quality and efficiency of its operation. All these will enable the Group to achieve "high-quality growth".

In addition, the Group has fully assessed the impact of the COVID-19 pandemic on its business and believes that the pandemic has a short-term impact on all trades and industries in the first quarter of 2020, and the sales and construction progress in the real estate industry has been affected by the general environment. However, many local governments have adopted policies for phased relaxation of controls for the real estate industry to ensure the steady development of the real estate market. The Group will closely monitor the development of the pandemic and continue to assess the impact of the outbreak on the Group's finances and operations.

APPRECIATION

Finally, on behalf of the Board, I would like to express our sincere appreciation to all shareholders, investors, business partners and customers for their support, and all employees for their dedication and hard work. We will continue to uphold our core value of "attaining prosperity with integrity" and achieve sustainable and high-quality growth while working for returns to shareholders and investors. We aim to develop the Company into a respectable, sustainable and competitive enterprise.

Zhenro Properties Group Limited
HUANG Xianzhi
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE HIGHLIGHTS

	Six Months Ended 30 June 2020 *(Unaudited)*	2019 *(Unaudited)*	Year-over-Year Change
Contracted sales (1)			
Contracted sales (RMB million)	55,993	58,607	-4.5%
Contracted GFA sold (sq.m.)	3,654,704	3,807,522	-4.0%
Contracted ASP (RMB/sq.m.)	15,321	15,392	-0.5%
Selected financial information (RMB million)			
Revenue	14,542	13,648	6.5%
Cost of sales	11,588	10,875	6.6%
Gross profit	2,954	2,773	6.5%
Profit before income tax	2,383	1,965	21.3%
Profit for the Period	1,275	1,179	8.1%
Attributable to:			
Owners of the parent	876	933	-6.2%
Non-controlling interest	399	246	62.2%
Core profit (2)	1,243	1,148	8.3%
Core profit attributable to Owners of the parent	844	902	-6.4%

	As of 30 June 2020 *(Unaudited)*	As of 31 December 2019 *(Audited)*	Year-over-Year Change
Total assets (RMB million)	192,397	169,219	13.7%
Total liabilities (RMB million)	159,161	138,159	15.2%
Total equity (RMB million)	33,236	31,060	7.0%
Equity attributable to owners of the Company (RMB million)	16,799	16,397	2.5%
Current ratio (3)	1.5	1.6	
Net debt-to-equity ratio (4)	71.4%	75.2%	

Notes:

(1) Includes contracted sales by the Group's subsidiaries, joint ventures and associated companies. Contracted sales data is unaudited and is based on internal information of the Group. Contracted sales data may be subject to various uncertainties during the process of collating such sales information and is provided for investors' reference only.

(2) Defined as net profit excludes changes in fair values of investment properties and financial assets, exchange gain or loss and the relevant deferred taxes.

(3) Current ratio equals to current assets divided by current liabilities as of the end of the period.

(4) Net debt-to-equity ratio equals to total borrowings less cash and bank balances divided by total equity as of the end of the period and multiplied by 100.

PROPERTY DEVELOPMENT

Contracted Sales

For the six months ended 30 June 2020, the Group recorded contracted sales of RMB55,993 million, representing a decrease of 4.5% for the six months ended 30 June 2019, which was primarily due to the short-term impact of the COVID-19 pandemic on the Group's sales in the first quarter.

For the six months ended 30 June 2020, total contracted GFA sold amounted to approximately 3.7 million sq.m., representing a decrease of approximately 4.0% from approximately 3.8 million sq.m. for the six months ended 30 June 2019. Contracted ASP for the six months ended 30 June 2020 was approximately RMB15,321 per sq.m., compared with RMB15,392 per sq.m. for the six months ended 30 June 2019. The decrease was primarily due to the increase in the proportion of GFA with a relatively lower ASP among total contracted GFA in 2020.

Contracted sales from Yangtze River Delta Region, Western Taiwan Straits Region, Bohai Rim Region, Central China Region, Western China Region and Pearl River Delta Region contributed to approximately 46.0%, 24.5%, 12.4%, 9.7%, 6.4% and 1.0%, respectively, of the Group's total contracted sales in 2020.

The following table sets out the geographic breakdown of the Group's contracted sales during the first half of 2020.

	Contracted GFA Sold *sq.m.*	**Contracted Sales** *RMB' 000*	**Contracted ASP** *RMB/sq.m.*	**% of Contracted Sales**
Yangtze River Delta Region	1,502,873	25,796,758	17,165	46.0%
Western Taiwan Straits Region	1,027,818	13,732,773	13,361	24.5%
Bohai Rim Region	422,186	6,940,083	16,438	12.4%
Central China Region	447,693	5,403,842	12,070	9.7%
Western China Region	221,997	3,571,544	16,088	6.4%
Pearl River Delta Region	32,138	548,237	17,059	1.0%
Total	3,654,704	55,993,236	15,321	100.0%

Revenue Recognized from Sales of Properties

Revenue recognized from sales of properties increased by approximately 5.7% from RMB13,533.6 million for the six months ended 30 June 2019 to RMB14,299.9 million for the six months ended 30 June 2020, accounting for 98.3% of the Group's total revenue. The Group's recognized ASP from sales of properties was approximately RMB12,156 per sq.m. in the six months ended 30 June 2020, representing a 27.7% decrease from RMB16,821 per sq.m. in the six months ended 30 June 2019, primarily due to the change in the geographic mix of properties being delivered, so that there is an increase in the proportion of GFA with a lower ASP among total delivered GFA in the first half of 2020.

The increase in revenue recognized from sales of properties was primarily due to more GFA completed and delivered as a result of the Group's continuing expansion.

During the six months ended 30 June 2020, the properties delivered by the Group included Hefei City 1907 (合肥•都會1907), Jiaxing Excellence Zhenro Canal Grand Mansion (嘉興卓越正榮·運河大公館) and others. The following table sets forth the details of the revenue recognized from the sales of properties of the Group by geographical location for the periods indicated.

	Recognized Revenue from Sales of Properties		% of Recognized Revenue from Sale of Properties		Total GFA Delivered		Recognized ASP	
	RMB'000	*RMB'000*	***%***	*%*	***sq.m.***	*sq.m.*	***RMB/sq.m.***	*RMB/sq.m.*
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Yangtze River Delta Region	**5,938,520**	6,446,648	**41.5**	47.6	**422,284**	307,234	**14,063**	20,983
Western Taiwan Straits Region	**7,329,197**	3,977,852	**51.3**	29.4	**655,220**	341,785	**11,186**	11,638
Bohai Rim Region	**23,055**	2,275,950	**0.2**	16.8	**1,696**	93,198	**13,594**	24,420
Central China Region	**655,125**	833,114	**4.5**	6.2	**68,994**	62,353	**9,495**	13,361
Western China Region	**354,048**	–	**2.5**	–	**28,175**	–	**12,566**	–
Total	**14,299,944**	13,533,564	**100.0**	100.0	**1,176,369**	804,570	**12,156**	16,821

Completed Properties Held for Sale

Properties held for sale represent completed properties remaining unsold at the end of each financial period and are stated at the lower of cost and net realizable value. Cost of properties held for sale is determined by an apportionment of related costs incurred attributable to the unsold properties.

As of 30 June 2020, the Group had completed properties held for sale of RMB9,256.4 million, representing an 21.4% increase from RMB7,626.2 million as of 31 December 2019. The increase was primarily due to the increase in GFA completed.

Properties Under Development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost comprising land costs, construction costs, capitalized interests and other costs directly attributable to such properties incurred during the development period and net realizable value. Upon completion, the properties are transferred to completed properties held for sale.

As of 30 June 2020, the Group had properties under development of RMB96,017.6 million, representing an 11.2% increase from RMB86,379.4 million as of 31 December 2019. The increase was primarily due to an increase in the number of projects developed by the Group in 2020.

PROPERTY INVESTMENT

Rental Income

The Group's rental income for the six months ended 30 June 2020 was approximately RMB55.9 million, representing a decrease of 0.1% from the six months ended 30 June 2019.

Investment Properties

As of 30 June 2020, the Group had 12 investment properties with a total GFA of approximately 790,918 sq.m. Out of the investment properties portfolio of the Group, 7 investment properties with a total GFA of approximately 496,928 sq.m. had commenced leasing.

LAND BANK

During the first half of 2020, the Group continued deep ploughing in the extended cities. The Group acquired a total of 19 new land parcels with a total site area of approximately 1.0 million sq.m., an aggregate estimated GFA of approximately 3.0 million sq.m., a total contractual land premium of approximately RMB17,782 million (of which the total land premium attributable to the Group was approximately RMB12,297.1 million) and an average cost of approximately RMB5,883 per sq.m.. The following table sets forth details of the Group's newly acquired land parcels during the six months ended 30 June 2020.

PROPERTIES DEVELOPED BY THE GROUP'S SUBSIDIARIES

City	Land Parcel/Project Name	Land Use	Site Area	Estimated Total GFA	Land Cost	Average Land Cost (Based on the Estimated Total GFA)	Attributable Interest
			sq.m	*sq.m.*	*RMB million*	*RMB/sq.m.*	
Yangtze River Delta Region							
Xuzhou	Xuzhou Leyuan Project	Residential	43,972	81,798	601	7,349	100%
Shanghai	Shanghai Anting Project	Residential	19,393	48,301	679	14,057	100%
Suzhou	Zhangjiagang Wanda North Project	Residential/Retail	76,416	210,157	1,051	5,003	51%
Suzhou	Suzhou Wangting Parcel No. 28	Residential	64,382	133,891	755	5,641	50%
Wuxi	Wuxi Tianyixincheng Project	Residential/Retail	38,401	126,932	1,089	8,580	51%
Fuyang	Fuyang Parcel No. 61	Residential/Retail	192,371	431,244	1,241	2,878	100%
Suqian	Suqian Zhengxiang Parcel	Residential/Retail	112,213	344,105	1,306	3,796	100%
Central China Region							
Zhengzhou	Zhengzhou International Logistics Park Parcel No. 20	Residential/Retail	23,871	110,429	359	3,966	50%
Zhengzhou	Zhengzhou Nanlonghu Parcel No. 24	Residential/Retail	54,041	215,930	511	2,365	51%
Zhengzhou	Zhengzhou Parcel No. 25	Residential/Retail	62,477	252,875	590	2,335	51%
Western China Region							
Chengdu	Chengdu Xindu District Guihu Parcel	Residential/Retail	20,179	71,740	262	3,657	100%
Western Taiwan Straits Region							
Nanchang	Nanchang Gaoxin Parcel	Residential/Retail	58,730	179,603	1,214	2,445	100%
Fuzhou	Fuzhou Rongju Lanjing Community	Residential	11,116	32,064	457	14,253	70%
Putian	Putian Yuhushangji Street Project	Residential	18,981	68,818	480	6,975	100%
Putian	Putian Sihualaoyeshu Project	Residential	16,116	38,710	266	6,872	100%
Putian	Putian Zhongtan Art Gallery Project	Residential/Retail/ SOHO&Office	57,959	182,932	1,226	6,702	100%
Subtotal			870,618	2,529,531	12,089	4,779	

PROPERTIES DEVELOPED BY THE GROUP'S JOINT VENTURES AND ASSOCIATED COMPANIES

City	Land Parcel/Project Name	Land Use	Site Area	Estimated Total GFA	Land Cost	Average Land Cost (Based on the Estimated Total GFA)	Attributable Interest
			sq.m	*sq.m.*	*RMB million*	*RMB/sq.m.*	
Yangtze River Delta Region							
Nanjing	Nanjing Yaohuamen G04 Project	Residential/Retail	72,455	202,174	2,975	14,715	49%
Western Taiwan Straits Region							
Fuzhou	Fuzhou Nanjin Residence	Residential	42,420	130,408	908	6,963	34%
Fuzhou	Fuzhou Zhengmao Mountain Mansion	Residential/Retail	50,789	160,562	1,810	11,273	40%
Sub-total			165,664	493,144	5,693	11,544	
Total			1,036,281	3,022,674	17,782	5,883	

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 6.5% from RMB13,648.4 million for the six months ended 30 June 2019 to RMB14,542.2 million for the six months ended 30 June 2020. Out of the Group's total recognized revenue for the six months ended 30 June 2020, (i) sales of properties increased by approximately 5.7% to RMB14,299.9 million compared to the same period in 2019, (ii) management consulting services increased by approximately 729.7% to RMB144.8 million compared to the same period in 2019, (iii) property leasing decreased by approximately 0.1% to RMB55.9 million compared to the same period in 2019, and (iv) property management services increased by approximately 0.2% to RMB41.5 million compared to the same period in 2019. The table below sets forth the Group's revenue for each of the components described above and the percentage of total revenue represented for the periods indicated.

	Six months ended 30 June 2020		Six months ended 30 June 2019		
	Revenue	**% of Total Revenue**	**Revenue**	**% of Total Revenue**	**Year- over-Year Change**
	RMB'000	*%*	*RMB'000*	*%*	*%*
Sales of properties	14,299,944	98.3	13,533,564	99.2	5.7
Management consulting services	144,796	1.0	17,452	0.1	729.7
Property leasing	55,902	0.4	55,985	0.4	-0.1
Property management services (1)	41,521	0.3	41,418	0.3	0.2
Total	14,542,163	100.0	13,648,419	100.0	6.5

Note:

(1) Primarily includes revenue generated from provision of design consultation services to joint ventures and associates and third parties.

Cost of Sales

The Group's cost of sales primarily represents the costs incurred directly for the property development activities as well as commercial property management and leasing operations. The principal components of cost of sales for property development include cost of properties sold, which represents direct construction costs, land use right costs and capitalized interest costs on related borrowings for the purpose of property development during the period of construction.

The Group's cost of sales increased by approximately 6.6% from RMB10,874.7 million for the six months ended 30 June 2019 to RMB11,588.0 million for the six months ended 30 June 2020, primarily attributable to the increase in the number of properties completed and delivered by the Group during the six months ended 30 June 2020.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by approximately 6.5% from RMB2,773.7 million for the six months ended 30 June 2019 to RMB2,954.2 million for the six months ended 30 June 2020.

Gross profit margin was also 20.3% for the six months ended 30 June 2020 and 2019.

Other Income and Gains

The Group's other income and gains primarily consist of interest income, commercial compensation and others. Interest income primarily consists of interest income on bank deposits. Commercial compensation primarily represents forfeited deposits received from certain potential customers who did not subsequently enter into sales contracts with the Group and penalties received from certain customers due to their breach of sales or pre-sales contracts.

Other income and gains increased by approximately 133.3% from RMB156.7 million for the six months ended 30 June 2019 to RMB365.7 million for the six months ended 30 June 2020, primarily due to an increase in interest income on bank deposits mainly as a result of the increase in the total amount of bank deposits in 2020.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising, marketing and business development expenses, sales and marketing staff costs, office expenses, fees paid to our third-party sales agents, rental and other expenses relating to sales of our properties and property leasing services.

The Group's selling and distribution expenses increased by approximately 28.1% from RMB354.8 million for the six months ended 30 June 2019 to RMB454.7 million for the six months ended 30 June 2020, primarily due to (i) the strengthened selling and marketing efforts to promote newly-launched property projects in new cities and regions in which the Group operates as part of its business expansion; and (ii) the expansion of the Group's in-house sales and marketing team to support its business expansion in 2020.

Administrative Expenses

Administrative expenses primarily consist of management and administrative staff costs, entertainment expenses, office and meeting expenses, stamped duties and other taxes, rental costs, depreciation of property, plant and equipment, professional fees, travelling expenses, bank charges, listing expenses and other general office expenses and miscellaneous expenses.

The Group's administrative expenses increased by approximately 3.7% from RMB523.6 million for the six months ended 30 June 2019 to RMB543.2 million for the six months ended 30 June 2020, primarily due to the continuous increase in the number of property projects under development and planned for future development, which was in line with the Group's business expansion, resulting in increases in its management and administrative headcount, traveling expenses and other miscellaneous expenses.

Other Expenses

Other expenses decreased by 3.4% from RMB74.2 million for the six months ended 30 June 2019 to RMB71.7 million for the six months ended 30 June 2020.

Fair Value Gains on Investment Properties

The Group develops and holds certain commercial properties on a long-term basis for rental income or capital appreciation. Fair value gains on investment properties decreased by approximately 35.4% from RMB123.2 million for the six months ended 30 June 2019 to RMB79.6 million for the six months ended 30 June 2020.

Finance Costs

Finance costs primarily consist of interest expenses for bank and other borrowings net of capitalized interest relating to properties under development.

The Group's finance costs increased by approximately 47.9% from RMB207.7 million for the six months ended 30 June 2019 to RMB307.1 million for the six months ended 30 June 2020, primarily due to an increase in the scale of total interest-bearing borrowings in 2020.

Share of Profits of Joint Ventures and Associated Companies

The Group's share of profits of joint ventures was RMB74.2 million for the six months ended 30 June 2020, compared with the share of profits of RMB135.5 million for the six months ended 30 June 2019, primarily due to the decrease in the number of properties delivered of joint ventures.

The Group's share of profits of associated companies was RMB292.2 million for the six months ended 30 June 2020, compared with the share of losses of RMB64.1 million for the six months ended 30 June 2019, primarily due to the increase in the number of properties delivered of associated companies.

Income Tax Expenses

Income tax expenses represent corporate income tax and land appreciation tax payable by the Group's subsidiaries in the PRC.

The Group's income tax expenses increased by approximately 41.1% from RMB785.3 million for the six months ended 30 June 2019 to RMB1,108.3 million for the six months ended 30 June 2020, primarily due to an increase in the Group's profit before tax. The effective corporate income tax rate was 29.8% for the six months ended 30 June 2020, compared with 26.5% for the six months ended 30 June 2019.

Profit for the Period

As a result of the foregoing, the Group's profit for the Period increased by approximately 8.1% from RMB1,179.2 million for the six months ended 30 June 2019 to RMB1,274.5 million, for the six months ended 30 June 2020.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The industry in which the Group engages is a capital-intensive industry. The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with proceeds from the IPO, proceeds from pre-sale and sale of properties, loans from commercial banks, proceeds from corporate debts or other securities offerings, and capital injections from shareholders. The Group's need for short-term liquid capital is mainly associated with loan repayments and capital needs for operation, and the Group's short-term liquid capital comes from cash balance, proceeds from pre-sale and sale of properties and new bank loans. The Group's need for long-term liquid capital is associated with capital allocated for new property development projects and repayment of long-term loan.

Cash Positions

As of 30 June 2020, the Group had cash and cash equivalents of approximately RMB33,581.4 million (31 December 2019: RMB28,368.6 million), pledged deposits of approximately RMB422.6 million (31 December 2019: RMB1,801.2 million) and restricted cash of approximately RMB5,806.5 million (31 December 2019: RMB5,137.0 million).

Indebtedness

As of 30 June 2020, the Group has total outstanding bank and other borrowings of RMB38,083.3 million, compared with RMB36,317.1 million as of 31 December 2019. As of 30 June 2020, the Group also had onshore corporate bonds and senior notes with carrying amounts of approximately RMB25,469.9 million, compared with RMB22,348.3 million as of 31 December 2019. The Group's borrowings are mainly denominated in Renminbi and US dollars.

The following table sets forth the Group's total borrowings as of the dates indicated.

	As of 30 June 2020	As of 31 December 2019
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Audited)*
Current borrowings:		
Bank borrowings – secured	**–**	312,740
Bank borrowings – unsecured	**359,917**	69,871
Other borrowings – secured	**–**	490,000
Other borrowings – unsecured	**444,050**	1,718,688
Plus: current portion of non-current borrowings		
Bank borrowings – secured	**7,225,208**	5,420,954
Bank borrowings – unsecured	**1,962,830**	454,782
Other borrowings – secured	**1,362,601**	4,123,401
Other borrowings – unsecured	**584,440**	1,943,700
Senior notes and Corporate bonds	**7,123,500**	5,506,307
Total current borrowings	**19,062,546**	20,040,443
Non-current borrowings:		
Bank borrowings – secured	**19,407,530**	16,551,576
Bank borrowings – unsecured	**3,615,978**	1,541,086
Other borrowings – secured	**2,620,742**	3,211,344
Other borrowings – unsecured	**500,000**	478,980
Senior notes and Corporate bonds	**18,346,421**	16,842,040
Total non-current borrowings	**44,490,671**	38,625,026
Total	**63,553,217**	58,665,469

The following table sets forth the maturity profiles of the Group's total borrowings as of the dates indicated.

	As of 30 June 2020	As of 31 December 2019
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Audited)*
Repayable within one year	**19,062,546**	20,040,443
Repayable in the second year	**19,827,550**	19,554,347
Repayable within third to fifth years	**23,403,486**	18,207,193
Repayable more than five years	**1,259,635**	863,486
Total	**63,553,217**	58,665,469

Additionally, as of 30 June 2020, the Group issued a variety of corporate bonds and unsecured senior notes. Please refer to "SENIOR NOTES OFFERINGS AND OFFER TO PURCHASE" below for more details.

Borrowing Costs

The Group's weighted average effective interest rate on bank and other borrowings was 7.0% for the six months ended 30 June 2020, compared with 7.5% for the year ended 31 December 2019. The decrease was primarily due to the Group's effective measures to optimize its debt structure, as well as its stronger bargaining power to access capital at competitive costs as a result of its growing operation scale.

Charge on Assets

As at 30 June 2020, the Group's asset portfolio which includes investment properties with carrying value of RMB4,444.3 million (31 December 2019: RMB4,315.4 million), properties under development with carrying value of RMB53,321.3 million (31 December 2019: RMB56,639.2 million), completed properties held for sale with carrying value of RMB1,193.3 million (31 December 2019: RMB998.8 million), property, plant and equipment with carrying value of RMB246.7 million (31 December 2019: RMB251.0 million), right-of-use assets with carrying value of RMB254.5 million and financial assets at fair value through profit or loss with carrying value of RMB673.0 million (31 December 2019: right-of-use assets with carrying value of RMB261.0 million, financial assets at fair value through profit or loss with carrying value of RMB670.2 million) were pledged as security for the Group's secured borrowings.

OFF-BALANCE SHEET EQUITY DATA

For the six months ended 30 June 2020, revenue attributable to the Group in proportion to the equity in joint ventures and associates was approximately RMB2.48 billion. As of 30 June 2020, cash and bank balances attributable to the Group in proportion to the equity in joint ventures and associates was approximately RMB3.90 billion.

FINANCIAL RISKS

The Group is not subject to significant credit risk and liquidity risk.

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pays to shareholders outside of the PRC. The Group had cash at banks denominated in foreign currencies, which exposed the Group to foreign exchange risk. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

KEY FINANCIAL RATIOS

The Group's current ratio was 1.5 as of 30 June 2020, compared with 1.6 as of 31 December 2019.

The Group's net gearing ratio was 71.4% as of 30 June 2020, compared with 75.2% as of 31 December 2019.

CONTINGENT LIABILITIES

Mortgage Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to the Group's customers in order to secure the repayment obligations of its customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, and (ii) the settlement of mortgage loans by the customers. If a purchaser defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If it fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds.

As of 30 June 2020, the material contingent liabilities incurred for the Group's provision of guarantees to financial institutions in respect of the mortgage loans they provided to the Group's customers were approximately RMB37,187.7 million, compared with RMB36,516.9 million as of 31 December 2019.

The Directors confirm that the Group has not encountered defaults by purchasers in which it provided mortgage guarantees that, in aggregate, had a material adverse effect on the financial condition and results of operations of the Group.

Other Financial Guarantees

As of 30 June 2020, the guarantees given to banks and other institutions in connection with borrowings made to the joint ventures and associates were approximately RMB2,435.0 million, compared with guarantees given to banks and other institutions in connection with borrowings made to the joint ventures, associates and a third party were RMB4,774.1 million as of 31 December 2019.

Legal Contingents

The Group may be involved in lawsuits and other proceedings in its ordinary course of business from time to time. The Group believes that no liabilities resulting from these proceedings will have a material adverse effect on business, financial condition or results of operations of the Group.

Commitments

As of 30 June 2020, the Group's capital commitment which was contracted but yet provide for was RMB22,054.9 million, compared with RMB23,900.3 million as of 31 December 2019.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contingent liabilities disclosed above, as of 30 June 2020, the Group did not have any off-balance sheet outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities and had not entered into any off-balance sheet arrangement.

SENIOR NOTES OFFERINGS AND OFFER TO PURCHASE

The Group continuously looks for financing opportunities to support its business development. These opportunities include raising funds through asset-backed securities programs, senior notes and corporate bonds offering plans.

In January 2020, the Company issued senior notes due April 2024 with an aggregate principal amount of US$290.0 million bearing interest at a rate of 7.875% per annum.

In March 2020, the Company issued senior notes due February 2021 with an aggregate principal amount of US$200.0 million bearing interest at a rate of 5.60% per annum.

In May 2020, the Company issued senior notes due March 2024 with an aggregate principal amount of US$200.0 million bearing interest at a rate of 8.35% per annum.

In May 2020, the Company made an offer to purchase for cash its outstanding 10.5% senior notes due June 2020 with an aggregate principal amount of US$400.0 million (the "**2020 Notes**") up to the maximum acceptance amount at a purchase price of US$1,003.5 per US$1,000 principal amount of the 2020 Notes (the "**Offer**"). The Offer was completed on 27 May 2020. A total of the 2020 Notes in the principal amount of US$168,612,000 repurchased pursuant to the Offer have been cancelled. In June 2020, the Company has fully repaid the outstanding 2020 Notes in the aggregate principal amount of US$231,388,000.

In June 2020, the Company issued senior notes due September 2023 with an aggregate principal amount of US$200.0 million bearing interest at a rate of 8.30% per annum.

The Group intends to use the proceeds from these senior notes offerings to repay external borrowings and may also consider other financing plans in the near future.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies by the Company during the six months ended 30 June 2020.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the six months ended 30 June 2020, there was no significant investment held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently has no plan to make any significant investment or acquisition of capital assets but will continue to seek potential investment or acquisition opportunities according to the Group's development needs.

EMPLOYEES

As of 30 June 2020, the Group had a total of 1,842 employees. The Group offers employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses. The Group contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds.

SUBSEQUENT EVENTS

Save for the following mentioned matters, and save as otherwise disclosed in the section headed "Disclosure pursuant to Rules 13.18 and 13.21 of the Listing Rules" of this announcement, no material events were undertaken by the Group subsequent to 30 June 2020 and up to the date of this announcement.

In July 2020, the Group issued domestic corporate bonds due July 2025 with an aggregate principal amount of RMB1,000.0 million bearing interest at a rate of 5.75% per annum.

In August 2020, the Company issued senior notes due August 2021 with an aggregate principal amount of RMB1,000.0 million bearing interest at a rate of 7.40% per annum.

In August 2020, pursuant to the indenture dated 18 November 2019 in connection with the issuance of the RMB700,000,000 8.0% Senior Notes due 2020 (the "**2020 RMB Notes**"), the Company has informed Citicorp International Limited, as trustee, that all outstanding 2020 RMB Notes will be redeemed in full on 7 September 2020 (the "**Redemption Date**") at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, to (but not including) the Redemption Date. As of the date of this announcement, the principal amount of the 2020 RMB Notes is RMB700,000,000. Upon redemption of the outstanding 2020 RMB Notes, all the redeemed 2020 RMB Notes will be cancelled and the Company will apply for withdrawal of the listing of the 2020 RMB Notes.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

References are made to the announcements of the Company dated 5 July 2019, 7 August 2020 and 13 August 2020.

In July 2019, pursuant to a facility agreement ("**2019 Facility Agreement**") entered into between, among others, the Company as the borrower, certain wholly-owned subsidiaries of the Company as the original guarantors, Hang Seng Bank Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, The Bank of East Asia, Limited, Goldman Sachs (Asia) L.L.C. and BNP Paribas, acting through its Hong Kong Branch, collectively as the original lenders, for dual-currency term loan facilities in the amount of HK$234,000,000 and US$90,000,000 (totaling approximately US$120,000,000) (the "**2019 Loan Facilities**", each a "**2019 Loan Facility**") will be made available to the Company for a term of 36 months from the date of the 2019 Facility Agreement.

As provided in the 2019 Facility Agreement, if Mr. Ou Zongrong, Mr. Ou Guoqiang and Mr. Ou Guowei collectively (a) do not or cease to, directly or indirectly, own at least 51% of the beneficial shareholding in, carrying at least 51% of the voting right in the Company, of which at least 45% beneficial shareholding must, at any time on or after the first date of utilisation of the 2019 Loan Facility, be free from any security; (b) are not or cease to be the single largest shareholder of the Company; and/or (c) do not or cease to have management control over the Company, the commitments under the 2019 Loan Facilities may be cancelled and all amounts outstanding together with accrued interest and all other amounts accrued under the 2019 Loan Facilities may become immediately due and payable.

In August 2020, a facility agreement (the "**2020 Facility Agreement**") was entered into between, among others, the Company as the borrower, certain wholly-owned subsidiaries of the Company as the original guarantors, Bank of China (Hong Kong) Limited, CMB Wing Lung Bank Limited, Hang Seng Bank Limited and certain other financial institutions, collectively as lenders, for dual-currency term loan facilities in the amount of HK$273,000,000 and US$106,000,000 (totaling approximately US$141,000,000) for a term of 36 months from the date of the first utilisation of the loan facility.

As provided in the 2020 Facility Agreement, if (i) Mr. Ou Zongrong, Mr. Ou Guoqiang and Mr. Ou Guowei (collectively, the "**Relevant Persons**") collectively (a) do not or cease to, directly or indirectly, own at least 51% of the beneficial shareholding in the Company, carrying at least 51% of the voting right in the Company, of which at least 45% of the beneficial shareholding must, at all times from the date of the 2020 Facility Agreement for so long as any liability is outstanding or any commitment is in force, be free from any security; (b) are not or cease to be the single largest group of shareholder of the Company; and/or (c) do not or cease to have management control over the Company; and/or (ii) the chairman of the Company is not any of Mr. Huang Xianzhi, Mr. Liu Weiliang or Mr. Chan Wai Kin (each being an existing executive Director, collectively, the "**Existing EDs**") or any of the Relevant Persons, the commitments under the loan facilities may be cancelled and all amounts outstanding together with accrued interest and all other amounts accrued under the loan facilities may become immediately due and payable.

In August 2020, a supplemental facility letter (the "**2020 Supplemental Facility Letter**") was entered into between the Company as the borrower and The Hongkong and Shanghai Banking Corporation Limited as the lender, for a term loan facility in the amount of HK$156,000,000, for a term of 15 months from the drawdown date of such loan facility.

As provided in the 2020 Supplemental Facility Letter, if (i) the Relevant Persons collectively (a) are not or cease to maintain at least 51% of the beneficial shareholding in the issued share capital (among which at least 45% of the beneficial shareholding shall be unencumbered) and voting rights of the Company; (b) are not or cease to be the single largest shareholder of the Company; and/or (c) do not or cease to have management control over the Company; and/or (ii) the chairman of the Company is not any of the Existing EDs or any of the Relevant Persons, the commitments under the loan facility may be cancelled and all amounts outstanding together with accrued interest and all other amounts accrued under the loan facility may become immediately due and payable.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING ("IPO")

The Group completed its IPO and was successfully listed on the Main Board of the Stock Exchange on 16 January 2018. Net proceeds from the IPO (including the exercise of the over-allotment options), after deducting the underwriting commission and other estimated expenses in connection with the IPO which the Company received, amounted to approximately HK$4,392.3 million.

As at 30 June 2020, in a manner consistent with the proposed allocations in the prospectus, the Group utilized the proceeds from IPO, of which approximately RMB902.1 million was used to repay borrowings falling due and approximately RMB377.5 million was allocated to project companies as general working capital. Among the remaining proceeds used for construction and development of property projects, RMB1,959.6 million was paid, while the remaining will be paid year by year according to the progress of construction in the following years.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures with the Board being responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company with reference to the Corporate Governance Code (the "**Code**") set out in Appendix 14 to the Listing Rules so as to maintain a high standard of corporate governance of the Company.

On 20 November 2019, Mr. Wang Benlong resigned and ceased to act as the executive Director, chief executive officer and the authorized representative of the Company. The Board expects that more time will be required to identify and appoint a suitable candidate as the chief executive officer of the Company. During the transitional period, Mr. Huang Xianzhi, an executive Director of the Company and the chairman of the Board, has been appointed as the chief executive officer on 20 November 2019, to temporarily take up the duties of Mr. Wang Benlong until a suitable candidate is appointed. Code provision A.2.1 of the Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Notwithstanding the deviation from code provision A.2.1, the Board believes that Mr. Huang Xianzhi's extensive experience and knowledge, together with the support of the management, shall strengthen the solid and consistent leadership of the Group and would allow for efficient business planning and decision-making, which the Board believes is in the best interest of the business development of the Group during this transitional period. The Company will seek to comply with Code provision A.2.1 by identifying and appointing a suitable and qualified candidate to fill the casual vacancy as soon as practicable. Further announcement(s) will be made as and when appropriate in accordance with applicable requirements under the Listing Rules.

So far as the Directors are aware, other than the abovementioned matter, the Company has complied with the Code during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Period, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company or any of its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2020.

CHANGES IN MEMBER OF BOARD OF DIRECTORS

On 8 June 2020, (i) Mr. LIU Weiliang was appointed as an executive director of the Company at the annual general meeting (the "**AGM**"); (ii) Mr. OU Guoqiang did not offer himself for re-election as a non-executive director at the AGM. Accordingly, Mr. OU Guoqiang retired as a non-executive director of the Company from the conclusion of the AGM.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Dr. LOKE Yu (alias LOKE Hoi Lam) and Mr. WANG Chuanxu, being independent non-executive Directors, and Mr. OU Guowei, the non-executive Director. Dr. LOKE Yu (alias LOKE Hoi Lam) has been appointed as the chairman of the Audit Committee, and is the independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee include: (i) making recommendations regarding the appointment and removal of external auditors of the Company; (ii) reviewing the accounting policies and financial positions of the Company; (iii) reviewing and supervising the internal audit functions and internal control structure of the Company; and (iv) reviewing and overseeing the risk management of the Company.

The Company's unaudited condensed consolidated interim results and interim report for the six months ended 30 June 2020 were reviewed by the Audit Committee before recommendation to the Board for approval.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.zhenrodc.com). The interim report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board
Zhenro Properties Group Limited
HUANG Xianzhi
Chairman

Shanghai, PRC, 21 August 2020

As at the date of this announcement, the executive Directors are Mr. Huang Xianzhi, Mr. Chan Wai Kin and Mr. Liu Weiliang, the non-executive Director is Mr. Ou Guowei, and the independent non-executive Directors are Dr. Loke Yu (alias Loke Hoi Lam), Mr. Wang Chuanxu and Mr. Lin Hua.